

Feb. 14, 2005

Metro Louisville Air Pollution Control District
Mr. Jonathan L. Trout
850 Barret Ave.
Louisville, KY 40204-1745

RE: Sierra Club Comments on Revised Strategic Toxic Air Reduction
Regulations

Dear Mr. Trout:

What follows are the comments of the Greater Louisville Group of the Sierra Club (“Sierra Club”) on the revised draft regulations comprising the Strategic Toxic Air Reduction (“STAR”) program. The mission of the Sierra Club includes protection and restoration of the quality of the natural and human environment. The Greater Louisville Group of the Sierra Club consists of approximately 1,800 members throughout a fifteen-county region, including Jefferson, Oldham, Bullitt, Shelby, and Trimble Counties.

The Sierra Club supports these revised regulations and urges the Board of the Metro Louisville Air Pollution Control District (“the District”) to adopt the STAR program at the conclusion of the public hearing on February 16, 2005.

Local Air Regulations are Compatible with Economic Productivity

The local business community has responded to the proposed STAR program with dire predictions of harmful impacts on jobs, productivity, and the economy. Such predictions are contrary to the results of recent academic studies which quantify business impacts to local, regional, and state economies in the U.S. from implementation of more stringent environmental regulations than the national standards.

In an August 2004 article published in the *Economic Development Quarterly* (Attachment 1), the effects of local air pollution control regulations on local industry were examined. Professors Ward Thomas and Paul Ong examined the South Coast Air Quality Management District (“SCAQMD,” Los Angeles area) regulations, which significantly curtailed emissions of volatile organic compounds, on the local furniture manufacturing industry. The authors concluded that the overall harmful impacts predicted by local industry did not come to pass. Instead their research:

“...provides evidence that environmental regulations and economic development are compatible... (Further), that over time, and with the help of public and private institutions, the industry adjusted by experimenting with technology—a process of “learning by doing. A major challenge for policy makers, we believe, is to build institutions that foster the learning process by which firm adjust to environmental regulations.”

Thomas, Ward F., and Paul Ong, “Locational Adjustments to Pollution Regulations: The South Coast Air Quality Management District and the Furniture Industry,” *Economic Development Quarterly*, 18(3)(Aug. 2004), 220-235, emphasis added.

These findings mirrored an August 2001 study on the effects of the SCAQMD regulations on the petroleum refining industry in the Los Angeles Air Basin (Attachment 2). The Boston University professors concluded:

“We find strong econometric evidence that South Coast regulations induced large investments in abatement capital. Surprisingly, we find no evidence that these regulations had more than a transitory effect on the productivity of South Coast refineries. These refineries suffered a productivity decline in the 1980s but recovered to the national average by 1992, despite their heavy regulatory burden. In fact, the productivity of South Coast refineries rose sharply between 1987 and 1992, the period when the most stringent (local) regulations came into effect, a period when productivity was falling for refineries elsewhere in the country.”

Berman, Eli, and Linda T. M. Bui, “Environmental Regulation and Productivity: Evidence from Oil Refineries,” *The Review of Economics and Statistics*, 83(3) (August 2001), 498-510, emphasis added.

A July 2004 evaluation (Attachment 3) of the impact of environmental regulations on economic output at the state level for the 48 contiguous U.S. states over the period 1977-1986 found that:

“...environmental stringency has little to no impact on state-level output.”

Henderson, Daniel J., and Daniel L. Millimet, “Environmental Regulation and U.S. State-Level Production,” *Economics Letters*, in press, available online, <http://dx.doi.org> (enter doi: 10.1016/j.econlet.2004.08.013), emphasis added.

Comments on Revisions to the Regulations

In general, the Sierra Club supports the revisions to the STAR program. These revisions appear to provide affected industry some flexibility in compliance without sacrificing the framework and health risk goals. We also appreciate the significant public and stakeholder outreach by the APCD during the informal comment period.

The revisions now provide for certain exemptions to the STAR program. The Sierra Club urges the District to require that each source that would completely exit the STAR program under one or more of these exemptions provide the District with a written rationale for its determination or, at minimum, maintain the documentation on site and available for APCD inspection for a period of at least three (3) years or until such time as processes or operations change which necessitate a re-evaluation of applicability.

Regulation 5.30 identifies a schedule and process for evaluating risks from air toxics from sources not included in this initial rulemaking, including mobile sources and area sources. A report and plan of action on these sources will be issued by the District by June 2006, with a timetable to achieve risk goals and standards by no later than December 31, 2012. Please clarify that the December 2012 timetable is, in fact, an outer limit and that, as warranted, individual source sectors or toxic air contaminants may be addressed in a more timely fashion. Also, the District should clarify that Regulation 5.30 does not alter, affect, or otherwise supercede the District’s ability to respond to individual source sectors or individual sources within these sectors, as warranted, based on air pollution conditions or other activities (e.g., lapse in conformity,

triggering a corrective action under the 1-hr. ozone maintenance plan) that may also function to indirectly regulate toxic air contaminants from these sources.

Closing

In closing, please ensure that these comments and the enclosed attachments are included in the formal administrative record for the proposed action.

Sincerely,

Greater Louisville Group of the Sierra Club

Barbara Hedspeth
Co-Chair

Joan Lindop
Co-Chair

c: Ray Barry, Chair, Cumberland Chapter of the Sierra Club
Dr. Phyllis Fox, P.E.
Arnita Gadson, West Jefferson County Community Task Force

Enclosures:

Attachment 1

Thomas, Ward F., and Paul Ong, "Locational Adjustments to Pollution Regulations: The South Coast Air Quality Management District and the Furniture Industry," *Economic Development Quarterly*, 18(3)(Aug. 2004), 220-235.

Attachment 2

Berman, Eli, and Linda T. M. Bui, "Environmental Regulation and Productivity: Evidence from Oil Refineries," *The Review of Economics and Statistics*, 83(3) (August 2001), 498-510.

Attachment 3

Henderson, Daniel J., and Daniel L. Millimet, "Environmental Regulation and U.S. State-Level Production," *Economics Letters*, in press, available online, <http://dx.doi.org> (enter doi: 10.1016/j.econlet.2004.08.013).